

Executive Summary Report

Appraisal Date 1/1/04 - 2005 Assessment Roll

Specialty Name: Health Care Specialists

Hospitals (415), Nursing Homes (174), and Retirement Facilities (153)

Sales – Improved Analysis Summary:

Number of Sales: 14

Range of Sales Dates: 12/01– 03/01/04

Sales – Ratio Study Summary:

	Average Total	Average Sale Price	Ratio	COV
2003 Value	\$4,905,200	\$5,274,900	93.0%	14.45%
2004 Value	\$5,058,500	\$5,274,900	95.9%	6.96%
Change	\$ 153,300		+2.9%	-07.49%
%Change	+3.12%		+3.12%	-51.8%

*COV is a measure of uniformity, the lower the number the better the uniformity. The negative figures of -7.49% and -5.18% actually represent an improvement.

Sales used in Analysis: All improved sales, which were verified as good, and have not been remodeled since purchases were included in the analysis.

Total Population - Parcel Summary Data:

	Land	Imps	Total
2003 Value	\$ 472,847,675	\$ 1,972,040,881	\$ 2,444,888,556
2004 Value	\$ 487,130,300	\$ 2,012,289,800	\$ 2,499,420,100
Percent Change	+3.02%	+2.04%	+2.23%

Number of Parcels in the Population: 384

Conclusion and Recommendation:

Selecting the values for the 2005 Assessment Roll is recommended since the values recommended in this report improve uniformity, assessment level and equity.

Analysis Process

Specialty

Specialty Area – 415 Hospitals, 174 Nursing Homes, and 153 Retirement Facilities.

Highest and Best Use Analysis




As if vacant: Market analysis of the area, together with current zoning and current and anticipated use patterns, indicate the highest and best use of the land.

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. We find the current improvements do add value to the property, in most cases, and therefore are the highest and best use of the property as improved. In those properties where the property is not at its highest and best use a token value of \$1,000.00 is assigned to the improvements.

Special Assumptions, Departures and Limiting Conditions

The sales comparison, income and cost approaches to value were considered for this mass appraisal valuation.

The following Departmental guidelines were considered and adhered to:

-  Sales from 12/01 to 3/04 (at minimum) were considered in all analysis.
-  No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of four years of market information without time adjustments averaged any net changes over that time period.
-  This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name: Hospitals, Nursing Homes, and Retirement Facilities

Boundaries: All Hospitals, Nursing Homes, and Retirement Facilities in King County

Maps:

Detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

Hospitals, nursing homes, and retirement facilities are dispersed throughout the county. With constant improvements in new medical technology, and the aging of the baby boomers, the proportion of the population over 65 years of age - continues to increase. Although the statewide population in general is expected to increase 15% over the next ten years, the older population (75+) is expected to grow in excess of 36%. These demographics can be expected to increase demand for nursing homes, retirement homes and hospitals statewide.

Nursing homes and hospitals are regulated by the Certificate-Of-Need Program (CON). The CON program is mandated by the federal government and administered by the individual states. In 1971, Washington started requiring anyone wanting to build new hospitals or acquire existing ones to first gain state permission in the form of a certificate of need. Washington has estimated bed need to be 45 beds per 1,000 population of persons 65 and older. Health care properties are required to go through long procedures in demonstrating to state officials the need for additional services in the area. Other deterrents for growth include information that hospitals and nursing homes are rarely built on a speculation basis, and building codes for these facilities are very stringent.

Patient safety and provider practices of hospitals and senior housing are key issues being addressed at this time by the federal government.. The Food and Drug Administration (FDA) convened a group in April 1999 out of concern over entrapment injuries and deaths in all health care settings. They drafted a paper which established guidelines for hospitals, and nursing homes. Random inspections by the FDA have been implemented.

Hospitals (415)

Hospitals are considered a single use (special use) property. There are acute care hospitals, psychiatric hospitals and substance abuse/chemical dependency treatment centers. They differ in size, services and specialties, ownership, age, location, market conditions, competition, reputation, staff and degree of obsolescence. King County is known for its hospitals. Many travelers come to King County for specialized treatments, such as heart surgery, diabetic research, cancer treatment and etc. Patients come from Russia, Thailand, Malaysia and elsewhere.

Swedish Medical Center obtained 4 million dollars from the legislature for seed money for Seattle Heart on Providence Hospital Campus. It will be an International Heart Institute for heart research, cardiac surgery and advanced heart and vascular treatment. It is to draw patients from all over the West Coast, Asia and Russia.

There are approximately fifteen acute care hospitals in King County and eight psychiatric/drug abuse treatment centers. Inpatient acute care is usually provided by traditional hospitals. A range of healthcare providers, including outpatient clinics, drug rehabilitation centers and “surgicenters”, provide primary ambulatory care.

There is a financial crisis besetting hospitals across the state. To get back in the black, some have started to abandon some lines of business including obstetrics and closing smaller clinics. In Washington hospitals, Medicare accounts on average for more than 35% of hospital revenue but pays only 94% of the costs incurred to treat the elderly.

Lack of qualified employees for health care positions in Washington is a big problem. Hospitals are facing shortages of nurses and nursing assistants. The Washington State Hospital Association recently estimated that over the next 15 years, 50% of the current nursing staff will retire, while nursing school enrollment has declined by 5.5% annually.

Hospitals also face the challenge to renovate approximately every five years. Having the latest technology has taken millions to keep our state-of-the-art hospitals and labs in competition.

More than 200 not-for-profit hospitals have converted to profit status in the recent past years. Many not-for-profit hospitals were left with little choice but to merge with other not-for-profit or sell their assets to bigger for-profit hospitals. There has been a great increase in mergers, acquisitions or consolidations. Approximately ½ of all hospitals in the US now belong to larger organizations or systems.

Both Swedish and Overlake hospital are in competition to build an Eastside hospital. Overlake Hospital wants a 120 bed hospital in Issaquah and Swedish want to build a 175 bed hospital. It has been over 2 decades since a new hospital was built in King County.

Children’s Hospital opened a new building for children in January 2004. This new facility will increase the total number of inpatient beds from 208 to 250 beds. The new building is called Janet Sinegal Patient Care Building.

Nursing Homes (174)

As the population ages, they are increasingly leaving their family setting for nursing homes. Nursing facilities provide various levels of health care service on a 24-hour basis in addition to shelter, dietary, housekeeping, laundry, and social needs. Nursing facilities include intermediate, skilled, and subacute care. In some cases, nursing homes may be part of continuing care retirement communities (CCRCs). They are often referred to as convalescent hospitals.

Newer nursing homes have larger bed areas, usually two-bed rooms (semi-private) or one-bed rooms (private). Older homes are more likely to have rooms containing three or more beds.

The State of Washington, Department of Social and Health Services (DSHS), has mandatory reporting by all skilled nursing homes. This report is called the “Nursing Home Cost Report” and is available in a public spreadsheet format on disk from DSHS. Some of the data concerning real estate facility leases used for the income survey was obtained from this public document.

As a result of the Balanced Budget Act of 1997, a new Medicare payment system was implemented beginning July 1, 1998. It replaced the cost-based skilled nursing facility reimbursement system with prospective payment system (PPS). Skilled nursing facilities, (SNF) receive payment for each day of care provided to a Medicare beneficiary. Seventy-five percent of nursing home residents are on Medicare or Medicaid.

The nursing home industry in Washington is comprised of both for-profit and nonprofit homes. Approximately 200 of the 280 homes across the state are for-profit. The last 3 years have been difficult for nursing homes. Major bankruptcies appears to be over and Medicare has added back some of its recent cuts. The nursing homes should start increasing in value the next few years according to “The Senior Care Investor” (Sept 2003).

Quality concerns have come to light in the Seattle area. The Bush administration has researched and rated long- term care facilities in six states as a pilot program. They measure such items as % of residents with bedsores, % of residents with moderate to severe pain, and % of residents that need more daily activities. Ratings can be found at www.medicare.gov. The aim of this program is to create standards consumers can use to compare nursing homes and to generate improvement in the industry through public scrutiny.

The State has also been imposing fines and halting admissions to several facilities in King County. The Department of Social and Health Services found these homes failing to investigate and report significant medication errors, locking doors, and failing to provide personal privacy during care. The staff shortages resulted in resident harm, neglect, improper feeding and inadequate supervision. According to the Washington Health Care Association, staff shortage has resulted in nearly three out of ten nursing facilities turning away patients.

In July 2004 a new bed tax on nursing homes was passed by the Legislature. It was passed to help nursing homes pay for low-income Medicaid patients.

Retirement Facilities (153)

The three most common types of senior housing are congregate seniors housing (independent living), assisted living and continuing care retirement communities. In addition, some assisted living facilities have a special Alzheimer's section of the facility, and some assisted living facilities take early stage Alzheimer's patients. There are several Alzheimer facilities being built. Regulations specify these facilities must provide qualified staff which are to be present at all times. Although there are no universally accepted standard definitions, retirement homes can generally be characterized as follows:

Congregate Senior Housing (Independent Living):

Congregate senior housing is multi-family housing designed for seniors who pay for some services (such as housekeeping, transportation, and meals) as part of the monthly fee or rental rate, but who require little, if any, assistance with the activities of daily living. They may have some home health care type services (such as eating, transferring from a bed or chair, and bathing) provided to them by in-house staff or an outside agency. Congregate seniors housing is not regulated by the federal government, and may or may not be licensed at the state level. The units are similar to independent apartment units.

Assisted Living:

Assisted living residences are designed for seniors who need significant assistance with the activities of daily living, but do not require continuous skilled nursing care. Assisted living units may be part of a congregate senior housing residence or a continuing care retirement community (CCRC). They may be contained in a property that supports assisted living units and nursing beds, or may be in a freestanding assisted living residence.

Assisted living is still more residential than health care and basically remains a 100% private pay business. They are licensed as boarding homes in Washington and subject to more stringent state regulations than congregate seniors housing. New Assisted living and Boarding Home Reform passed 3/2000 to improve equitable regulations of assisted living. The rules aim to create more options and assure safety. The rules address medication, staff training, meal control and residents rights.

Continuing Care Retirement Community:

Continuing care retirement communities (CCRC) are senior living complexes that provide a continuum of care including housing, health care, and various supportive services. Health care (i.e. nursing) services may be provided for directly or through access to affiliated health care facilities. Fees are structured as either refundable (or partially refundable) entrance fee plus a monthly fee; as equity ownership (cooperative or condominium) plus a monthly fee; or as a rental program. CCRC is not regulated by the federal government, but is subject to state licensing and regulation in most states.

The most prevalent type of facility is one that provides both assisted and independent care. CCRC's are places where seniors can go while they are still independent and live among their peers, form new friendships and still go out and about in the community outside the campus.

Physical Inspection Area:

Half of the Retirement Facilities, one third of the Hospitals and one third of the Nursing Homes were physically inspected this revalue year. Additional digital pictures were also added this year.

Preliminary Ratio Analysis

A Ratio Study was completed just prior to the application of the 2004 recommended values. This study benchmarks the current assessment level using 2003 posted values. The study was also repeated after the application of the 2004 recommended values. The results are included in the validation section of this report, showing an improvement in the COV from 14.45% to 6.96%.

Land Value

Land Sales, Analysis, Conclusion

The respective geographic appraiser valued the land. A list of vacant sales used and those considered not reflective of market are included in the geographic appraiser's reports.

Improved Parcel Total Values

Sales comparison approach model description

The model for sales comparison was based on five data sources from the Assessor's records; Net rentable area, effective year, condition, bed count/unit count and location. The principle of substitution is used in this approach. A search was made on data that most closely fit a subject property. There were 14 improved sales dating from 12/1/2001 to 3/01/2004. All sales were verified, if possible, by calling either the purchaser or seller, inquiring in the field, or calling the real estate agent. Information concerning vacancy and market absorption rates, current and anticipated rents and if any business value traded in the sales price was collected.

It is sometimes difficult to make direct sale comparisons as nursing homes and retirement home properties are designed to fit a particular location, market niche, level of care, and method of operation. These unique traits make substitution difficult. Sales typically require major adjustments that are based on subjective analysis due to lack of empirical comparable data.

The scarcity of reliable sales data and the difficulty in relating sales to a meaningful unit of comparison for valuation makes the Direct Sales Comparison, at best, a "rough" gauge of value. They set the parameters or range. Sales are useful in providing background data and as a cross check on the other two approaches to value. The individual sales are included later in this report

Cost approach model description

In those areas where a cost approach was done the Marshall & Swift Commercial Estimator was used. Depreciation was also based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the western region and the Seattle area. While the service life of hospitals and senior housing may be 30 to 50 years of age, it is not uncommon to see 30-year-old facilities at the end of their useful life being renovated to compete in the market for patients. Marshall & Swift uses 35 years for class D average condition properties and 40 years for class C average condition properties. This approach was often used for special purpose facilities, like hospitals, when a lack of adequate market lease income or market sales data is available. The cost approach was used for new construction, hospitals and nursing home sections of retirement complexes.

Cost calibration

Each appraiser valuing by cost can individually calibrate Marshall & Swift valuations to specific buildings in our area by accessing the parcel computerized valuation model supplied by Marshall & Swift. This value is added to the market value of the land.

Income capitalization approach model description

The direct income capitalization approach was considered for the nursing homes using market rental/ lease rates paid for comparable nursing home facilities, which were leased by operators from property owners. Nursing home leases are usually long term (10-20 years) and net to the owner. The lessee pays all or nearly all expenses. After several discussions with lessors it was discovered the trend in nursing home leases is leaning toward rent based on sq. ft versus per bed basis. Rates were acquired from published sources, tenants, buyers and sellers. The Department of Social and Health Services provided a disk of leased rates. Surveys and sales collected expenses and vacancy rate data. Published sources, Commercial Mortgage Commitments, and limited sales in Washington and other western states determined the real estate capitalization rates.

The following table is a brief description of the income parameters used on nursing homes. Lease rates range from \$7.00 to \$16.00 based on effective age, size and quality. Vacancy and collection loss figures were 7%, expenses 10% and overall capitalization rate ranged from 9.50% to 10.00%. The rate tables are included at the end of this report.

PROPERTY TYPE	TYPICAL RENT RANGE	OVERALL RENT RANGE	EXPENSE	OAR RANGE
Convalescent Hospital,	\$6.75 to \$20.00	\$7.00 to \$16.00	10%	9.50% to 10%
Unfinished Basement, Semi-finished Basement	\$2.00 to \$4.00	\$2.70 to \$3.00	10%	9.50% to 10.00%
Finished Basement,	\$4.00 to \$7.00	\$5.00 to \$5.40	10%	9.50% to 10.00%
Storage Warehouse	\$4.00 to \$7.00	\$5.40 to \$6.00	10%	9.50% to 10.00%

The direct income capitalization approach was considered for retirement homes, using market rental/lease rates paid for comparable studio, one bedroom, two bedroom, and three bedroom units/apartments, with variation given to location. Lease rates and gross income multipliers were acquired from published sources, mainly the Fall 2003 Dupre + Scott Apartment Advisors, Inc.

Studio base rates range from \$488 to \$959, one bedroom units from \$608 to \$999, two bedroom units from \$727 to \$1,438 and three bedroom units from \$947 to \$1500. The gross income multiplier ranged from 6.4 to 9.4, with adjustments for location, view and waterfront. The rate tables and gross income multiplier tables are included later in this report.

The retirement homes with separate nursing homes were also valued by the direct capitalization approach or a combination of income for retirement apartment units and cost approach for nursing home square footage.

Income approach calibration

The models were calibrated after setting the base rents by using adjustments based on effective age, size, location and quality as recorded in the Assessor's records.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

To insure correctness, the specialty appraiser individually reviewed all parcels before the final value was selected.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

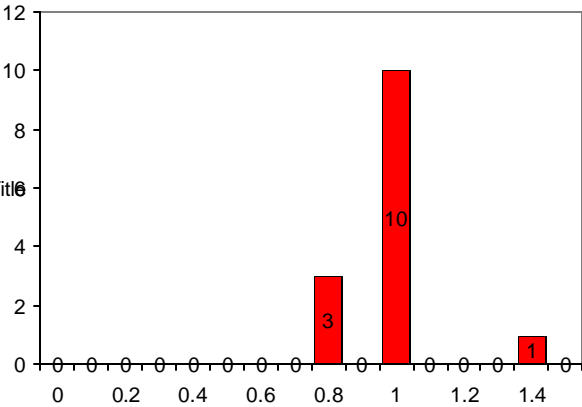
The total assessed value for the 2003 assessment year for the Hospitals and Senior housing was \$2,444,888,556. The total recommended assessed value for the 2004 assessment year is \$2,499,420,100. New construction for the 2003 assessment year was \$45,859,700.

Application of the recommended values for the 2004 assessment year (taxes payable in 2005) results in an average total change from the 2003 assessments of +2.23%. This increase is due to the new construction at several locations.

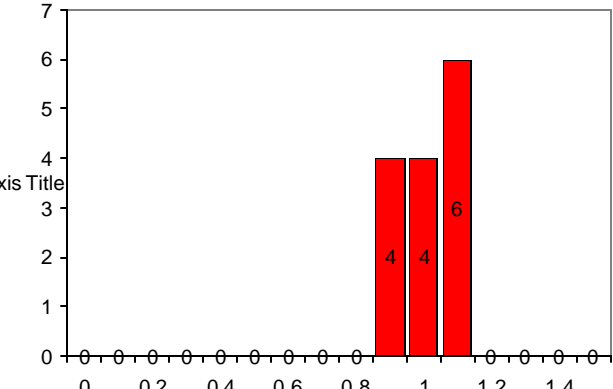
Improvement Sales Used

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par . Ct.	Ver. Code
153	000	011410	0545	61,245	1953464	\$7,902,000	04/21/03	\$129.02	REGENT NORTSHORE 18143 73RD AV	R48	1	2
153	000	082505	9030	47,482	1991912	\$6,096,501	09/29/03	\$128.40	KIRKLAND LODGE	RM3.6	1	2
153	000	262505	9011	59,179	1931231	\$10,201,606	12/19/02	\$172.39	BRIGHTON GARDENS RETIREMENT	O/C	1	2
153	000	382170	0041	59,051	1956198	\$6,100,000	04/28/03	\$103.30	REMINGTON PLACE RETIREMENT INN	L3	1	2
153	000	531510	0905	30,593	1993394	\$5,500,000	09/30/03	\$179.78	SUNRISE RETIREMENT	R2	1	2
153	000	890100	0370	31,680	2021818	\$3,700,000	02/14/04	\$116.79	ARBOR SQUAR- AEGIS AT NORTHGATE	SF7.2	1	2
174	010	082605	9095	28,716	1948784	\$2,894,900	03/26/03	\$100.81	CARE CENTER AT BOTHELL	OP	1	2
174	010	407780	0532	22,584	1839660	\$3,026,000	08/31/01	\$133.99	THE MEADOWBROOK NURSING FACILITY	SF7.2	1	2
174	020	082104	9088	60,272	1992855	\$5,876,105	09/30/03	\$97.49	WOODWAY INN RETIREMENT CTR	BC	1	2
174	020	092204	9062	36,828	1923806	\$3,875,000	11/22/02	\$105.22	DES MOINES VISTA RETIREMENT CTR	RM.	1	2
174	020	172205	9173	17,415	2006033	\$1,890,000	11/30/03	\$108.53	BENSON HEIGHTS REHAB CENTER	RM1800P	1	2
174	020	331360	0470	23,458	1897368	\$2,250,000	07/12/02	\$95.92	CHARTLEY HOUSE	R4SPU	1	2
174	020	551460	0005	99,009	2010749	\$5,527,276	12/23/03	\$55.83	SEATOMA CONVALESCENT CENTER	RM.9B	1	2
174	020	926504	0120	51,610	2006043	\$9,009,600	11/30/03	\$174.57	NURSING HOME WITH 2 PARCELS	OP	3	2

Area 153/174/415
2004 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:		
North Crew	1/1/2003	4/26/2004	1/1/01 - 02/28/04		
Area	Appr ID:	Prop Type:	Trend used?: Y / N		
153,174,415	SSHA	Improvement	N		
SAMPLE STATISTICS					
<i>Sample size (n)</i>	14	<div><p>Ratio Frequency</p></div>			
<i>Mean Assessed Value</i>	4,905,200				
<i>Mean Sales Price</i>	5,274,900				
<i>Standard Deviation AV</i>	2,274,376				
<i>Standard Deviation SP</i>	2,522,564				
ASSESSMENT LEVEL					
<i>Arithmetic mean ratio</i>	0.941	<div><p>These figures reflect the 2003 assessment level of improved sales compared to current market sales.</p></div>			
<i>Median Ratio</i>	0.945				
<i>Weighted Mean Ratio</i>	0.930				
UNIFORMITY					
<i>Lowest ratio</i>	0.7376				
<i>Highest ratio:</i>	1.3033				
<i>Coefficient of Dispersion</i>	8.61%				
<i>Standard Deviation</i>	0.1359				
<i>Coefficient of Variation</i>	14.45%				
<i>Price-related Differential</i>	1.01				
RELIABILITY					
95% Confidence: Median					
<i>Lower limit</i>	0.788				
<i>Upper limit</i>	0.996				
95% Confidence: Mean					
<i>Lower limit</i>	0.870				
<i>Upper limit</i>	1.012				
SAMPLE SIZE EVALUATION					
<i>N (population size)</i>	384				
<i>B (acceptable error - in decimal)</i>	0.05				
<i>S (estimated from this sample)</i>	0.1359				
Recommended minimum:	27				
<i>Actual sample size:</i>	14				
Conclusion:	Uh-oh				
NORMALITY					
Binomial Test					
<i># ratios below mean:</i>	6				
<i># ratios above mean:</i>	8				
<i>z:</i>	0.267261242				
Conclusion:	Normal*				
*i.e., no evidence of non-normality					

Area 153/174/415
2004 Assessment Year

Quadrant/Crew:	Lien Date:	Date:	Sales Dates:
North Crew	1/1/2004	4/26/2004	1/1/01 - 02/28/04
Area	Appr ID:	Prop Type:	Trend used?: Y / N
153,174,415	SSHA	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	14	<div>Ratio Frequency</div> 	
Mean Assessed Value	5,058,500		
Mean Sales Price	5,274,900		
Standard Deviation AV	2,221.092		
Standard Deviation SP	2,522.564		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.971	Axis Title	
Median Ratio	0.979		
Weighted Mean Ratio	0.959		
UNIFORMITY			
Lowest ratio	0.8882	These figures reflect the 2004 assessment level of improved sales compared to current market sales.	
Highest ratio:	1.0793		
Coefficient of Dispersion	6.05%		
Standard Deviation	0.0676		
Coefficient of Variation	6.96%		
Price-related Differential	1.01		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.892		
Upper limit	1.029		
95% Confidence: Mean			
Lower limit	0.936		
Upper limit	1.007		
SAMPLE SIZE EVALUATION			
N (population size)	384		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0676		
Recommended minimum:	7		
Actual sample size:	14		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	7		
# ratios above mean:	7		
z:	-0.267261242		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

USPAP Compliance

Client and Intended Use of the Appraisal:

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-7. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

The purpose of this report is to explain and document the methods, data and analysis used in revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The revaluation is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65) . . . or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

WAC 458-12-330 **REAL PROPERTY VALUATION—HIGHEST AND BEST USE.**

All property, unless otherwise provided by statute, shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Uses which are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in estimating the highest and best use.

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that

the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Assumptions and Limiting Conditions:

- 1. No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*

2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
13. *I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
14. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Departure Provisions:

Which if any USPAP Standards Rules were departed from or exempted by the Jurisdictional Exception

SR 6-2 (i)

The assessor has no access to title reports and other documents. Because of budget limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. The mass appraisal must be completed in the time limits as indicated in the Revaluation Plan and as budgeted.